

EXHIBIT 9

Confidential Presentation to:

Allocation Summit

Overview

March 26th, 2007

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Allocation Summit Agenda

Day 1 (March 26th) – Plenary Session

General Introduction

- ◆ Objectives
- ◆ General overview of the Corporate Divisions, their costs and cost allocations
- ◆ Future direction of the allocation process

Corporate Division Presentation

- ◆ Activities
- ◆ Cost base
- ◆ Allocation drivers
 - Focus on Shared Allocations

Day 2 (March 27th) – One-on-one Sessions

One on one Session

- ◆ Focus on Dedicated Allocations
- ◆ Discussion on division specific topics

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2007 S&C Summit – Day 1 Agenda

Time	Topic	
9.00am – 10.00am	Allocation Overview	Robert Azerad / Chris Deegan / Seán Smith / John Ambrose / Bob Wharam
10.00am – 11.00am	ITD	Kathy Sorensen / Julie Castle / Jay Zoufaly
11.00am – 12.00pm	Operations	Stewart Ninehman / Mark O'Sullivan/ Tony Collier / Neil Banbury
12.00pm – 1.00pm	Break / Lunch	
1.00pm – 2.00pm	Finance	Erik Umlauf / Joe Beukers
2.00pm – 3.00pm	Risk Management	Lisa Rathgeber / Joe Beukers
3.00pm – 4.00pm	Business Development Services	Carol Dewar / Robin Yenck / Jana Greenbaum
4.00pm – 4.30pm	General Q&A / Next Steps	Robert Azerad / Chris Deegan / Seán Smith

- ◆ Agenda for Day 2 can be found in the appendix

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BPM: “Lehman’s” Secret Weapon

BPM has been widely recognized as one of the hidden strengths of Lehman Brothers. This system serves as a firmwide reporting template and as a powerful budgeting and resource allocation tool.

—Brad Hintz, Senior Analyst, BernsteinResearch, 2006

- ◆ BPM was introduced in 1996 to develop a system that measured profitability and return metrics for the Firm’s products, divisions and regions.
- ◆ Prior to this, the Firm was largely run as a single P&L, with mainly revenues only down to the businesses
 - ⇒ Every division appeared to be doing great, but the Firm as a whole was performing poorly
- ◆ BPM was developed to :
 - Help create annual budgets and targets
 - Provide analytical support to the compensation discussions
 - Allocate Firm costs
 - Allocate Balance Sheet and Equity

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2006 Firm Performance by Division

- ◆ \$2.9 billion of Corporate costs (\$1.7 billion of PE and \$1.2 billion of NPE) allocated to the Front Office divisions in 2006

\$'s in millions

	FTD	Equities	IBD	IMD	Corporate	Other ¹	Total	Shadow	
								MCD	CMPS
Revenues	9,029	4,032	3,338	1,653	-	(468)	17,583	1,000	1,446
Compensation & Benefits	2,268	1,293	1,548	1,173	1,697	690	8,669	602	218
Non Personnel Expenses	553	552	174	323	1,226	180	3,009	254	145
Dedicated	1,562	556	800	(410)	(872)	(1,636)	0	(13)	256
Shared	832	620	319	363	(2,051)	(82)	0	138	215
Allocations	2,393	1,175	1,120	(47)	(2,923)	(1,717)	0	125	471
Pre Tax Income	3,815	1,012	496	204	(0)	378	5,905	19	613
Pre Tax Margin	42.3%	25.1%	14.9%	12.3%	nm	nm	33.6%	1.9%	42.4%

¹ Other includes GPS, GTS and Non-Core

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What is Corporate? (I)

- ◆ There are 14 Corporate divisions with a total cost of \$2.9 billion, i.e., approximately 25% of overall costs for the Firm

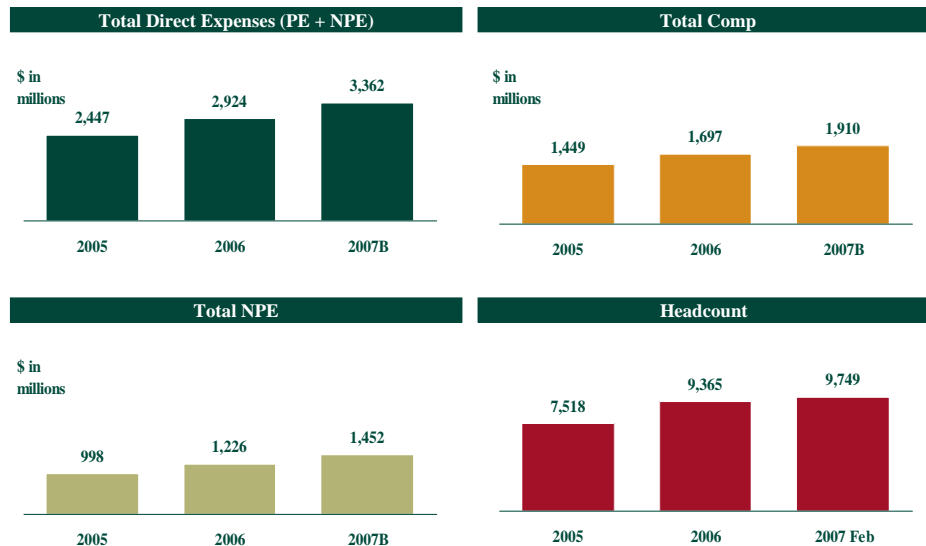
Corporate Division	H/C	H/C %	\$mm	\$ %	Primary Responsibility
ITD * "Information Technology Division"	3,470	37.1%	1,192	40.8%	Provides the Firm with all systems, maintenance of existing hardware and software and creation of new systems for future use.
Operations *	1,937	20.7%	272	9.3%	Provides the Firm with management, execution and settlement of transactions
Finance *	1,436	15.3%	278	9.5%	Provides financial performance reporting & analytics, capital & risk planning, and tax.
CAD "Corporate Advisory Division"	711	7.6%	199	6.8%	Provides legal, audit and other compliance functions for the Firm
BDS * "Business Development Services"	642	6.9%	209	7.1%	Provides business development services, e.g., event marketing, multimedia services, cafeteria, exec dining
Human Resources	374	4.0%	106	3.6%	Provides the Firm with hiring, recruiting, training, benefits & other personnel support services.
Risk Management *	198	2.1%	68	2.3%	Provides the Firm with crucial input into risk-return decisions and reviews the Firm's positions to ensure it is not exposed to losses beyond its risk tolerance.
Exec & Admin	163	1.7%	426	14.6%	Provides corporate management & administration for the Firm
PPI "Productivity & Process Improvement"	143	1.5%	31	1.1%	Creates operational efficiency through reengineering, metrics analysis, automation and off shoring across all areas of the Firm.
Recruiting	108	1.2%	42	1.4%	Campus recruiting services
Corporate Real Estate	68	0.7%	41	1.4%	Provides building maintenance & property management
Security	43	0.5%	28	1.0%	Provides a safe and secure working environment, protecting our people & assets
Strategy	40	0.4%	19	0.6%	Provides the Firm with strategic planning & analysis
CMB "Comm., Media & Branding"	32	0.3%	13	0.5%	Provides corporate communications, marketing, media relations & branding services
TOTAL	9,365	100%	2,924	100%	

* Discussed separately at the Allocation Summit

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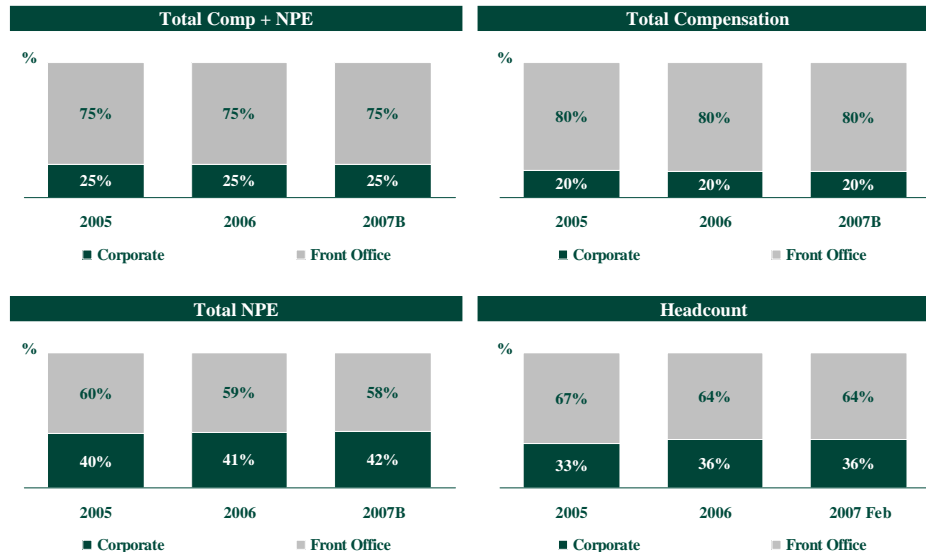
What is Corporate? (II)



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Corporate Has Grown at the Same Pace as the Firm



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Allocations in BPM – A Primer (I)

- ◆ In order to measure bottom-line profitability, the costs of all Front Office and Firm Infrastructure and Corporate areas are allocated to the Front Office businesses
 - Front Office support includes such functions as Equities Research & Divisional Administration
 - Firm Infrastructure represents Corporate divisions, such as Finance, Technology, Operations, Human Resources and Executive & Administration
- ◆ All support areas are allocated on a “fully loaded” basis
- ◆ Direct expenses (i.e., PE and NPE) PLUS attributable expenses (allocations received from other support areas) are included in the allocations that the Front Office receives
 - ⇒ BPM creates the incentive for Corporate areas to be accountable for all costs they incur (e.g. Finance is accountable for Dedicated HR costs incurred on behalf of Finance)

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Corporate Allocations – 2006 Details by Corporate Division

\$'s in millions	Exec & Admin														Inter-Corporate	Total
	ITD	OPS	Finance	BDS	CAD	HR	Risk Mgmt	CRE	Recruit'g	Security	PPI	Strategy	CMB			
PE	471.5	334.8	223.1	214.3	67.3	164.5	76.0	58.1	14.0	20.2	7.5	24.2	15.0	6.8	1,697.2	
NPE	720.8	91.5	48.6	63.5	141.3	34.1	30.5	9.9	26.6	21.7	20.5	6.9	3.8	6.5	1,226.3	
Direct Expenses	1,192.3	426.4	271.7	277.7	208.6	198.6	106.5	68.0	40.6	42.0	28.0	31.1	18.8	13.2	2,923.5	
ITD	5.8	(0.0)	74.8	42.5	0.0	9.5	6.3	21.7	(0.0)	(0.0)	-	-	(0.0)	(0.0)	160.6	
Finance	4.8	0.1	0.3	0.2	0.1	0.2	0.2	0.1	-	0.1	-	-	0.1	0.1	6.4	
Other	2.2	2.6	1.2	0.0	0.0	0.4	(0.0)	0.0	(0.0)	0.0	-	-	-	0.0	6.6	
Dedicated Corporate	12.8	2.8	76.4	42.8	0.2	10.2	6.5	21.8	(0.0)	0.1	-	-	0.1	0.1	173.7	
Sub total	1,205.1	429.1	348.1	320.5	208.8	208.8	113.0	89.8	40.6	42.0	28.0	31.1	18.9	13.4	3,097.2	
% Total	90%	97%	87%	87%	90%	94%	93%	94%	75%	87%	100%	100%	96%	96%	nm	
ITD	125.6	7.0	40.7	40.1	21.1	11.1	6.8	5.2	10.4	5.0	-	-	0.6	0.4	273.9	
Other	8.5	2.7	1.3	2.8	0.7	0.8	0.4	0.4	0.2	0.3	-	-	0.1	0.0	11.2	
Shared Corporate	134.1	11.3	49.8	45.7	22.6	12.8	8.7	6.0	10.6	6.0	0.0	-	0.9	0.6	309.1	
Other: Legal (Non-Core)	0.8	0.8	0.5	1.2	0.0	0.5	0.0	0.0	3.1	0.1	-	-	0.0	0.1	7.0	
Sub total	1,340.0	441.3	398.3	367.4	231.4	221.1	121.7	95.8	54.3	48.1	28.0	31.1	19.7	14.0	3,413.3	
Less: Intra-Corp. Divisional	(131.4)	(0.9)	-	(2.1)	-	(1.0)	-	-	-	-	-	-	-	-	(135.4)	
Less: Inter-Corp. Divisional															(347.4)	
Total Expenses	1,208.7	440.4	398.3	365.2	231.4	221.1	121.7	95.8	54.3	48.1	28.0	31.1	19.7	14.0	2,930.5	

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Allocations in BPM – A Primer (II)

Dedicated Vs Shared

- ◆ Dedicated areas either reside in a Front Office division, like Divisional Administration or Research, or sit outside the division, but are dedicated mostly to that unit, e.g. FID Product Control
 - The 80% Rule: Generally, if 80% of the costs target one division, then those allocations are classified as “Dedicated”. Otherwise, it would be allocated as a “Shared” expense.
 - There are exceptions to the 80% Rule. For example: Equities Research allocates 50% to Banking, but is still considered dedicated because Research teams are dedicated to assisting specific areas.
 - Additionally, if one division is receiving > 80% of a dedicated allocation, the small remaining costs allocated to other divisions will also be classified as dedicated.
- ◆ The receiving division is seen as having direct influence over these costs
- ◆ Dedicated areas can allocate to both Front Office and Corporate divisions
- ◆ Shared areas represent all remaining allocating areas (e.g. IT Infrastructure, Tax, Treasury, Dining Services etc), and generally allocate to the Front Office only (except for ITD and some services which are allocated based on usage).

Direct Vs Indirect

- ◆ Core Expenses (Comp + NPE) are allocated as “Direct Allocations”
- ◆ Allocations received from other support areas are allocated as “Indirect Allocations”

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Corporate Allocations: Dedicated Vs Shared

- ◆ In 2006 33% of the total Corporate costs were allocated as dedicated (\$0.96 billion) and 67% were allocated to as shared (\$1.97 billion)
 - This excludes Non-Core (pensions, audit fees, insurance, etc.), which represents an additional \$0.2 billion of shared allocations

	2006 Actuals (\$ Millions)			% Division Costs		% Total		
	Dedicated	Shared	Total	Dedicated	Shared	Dedicated	Shared	Total
ITD	515	677	1,192	43	57	54	34	41
Exec & Admin	2	425	426	0	100	0	22	15
Finance	105	173	278	38	62	11	9	9
Operations	156	116	272	57	43	16	6	9
BDS	14	195	209	7	93	1	10	7
CAD	81	117	199	41	59	8	6	7
HR	18	88	107	17	83	2	4	4
Risk Management	37	31	68	54	46	4	2	2
Recruiting	30	12	42	72	28	3	1	1
Security	0	28	28	0	100	0	1	1
PPI	0	31	31	0	100	0	2	1
Corporate Real Estate	0	41	41	0	100	0	2	1
Strategy	0	19	19	0	100	0	1	1
CMB	0	13	13	0	100	0	1	0
Total	957	1,966	2,924	33	67	100	100	100

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Allocations in BPM – A Primer (II)

- ◆ The cost incurred by the Corporate divisions is allocated using two main methodologies:

Surveys 37% of total cost

- ◆ Provided directly by Corporate P&L manager, to represents % time spent or % usage of function
- ◆ % generally provided down to the regional product (i.e. BPM level 1)
- ◆ Update frequency varies division by division, but is typically reviewed annually (at the start of the year)
- ◆ Survey % in budget = Survey % in actual ¹
- ◆ Surveys are the predominant methodology for dedicated functions, but also used in some cases for shared

Drivers 63% of total cost

- ◆ Typically based on budget data by product ²
- ◆ Updated quarterly, in line with budget allocation runs
- ◆ Drivers are the predominant methodology for shared functions

¹ May be timing differences between budget update (quarterly) and actuals
² Headcount drivers, and drivers used by Ops / ITD based on actual data

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Key Allocation Drivers (I)

- ◆ The below view shows the % of total Corporate (Excluding ITD and Ops) by driver

	Exec & Admin	Finance	BDS	CAD	HR	Risk Mgmt	CRE	Recruit'g	Security	PPI	Strategy	CMB	Total Corporate
Headcount Drivers:													
Weighted Headcount ¹	1.2%	0.0%	2.9%	0.1%	6.5%	0.0%	0.0%	0.4%	1.5%	0.0%	0.8%	0.2%	13.5%
NY buildings Ex NB Headcount	0.0%	0.0%	6.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	6.5%
NB building Headcount	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Expat Population	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
	1.2%	0.0%	9.4%	0.1%	6.6%	0.0%	0.0%	0.4%	1.5%	0.0%	0.8%	0.2%	20.1%
NPE Drivers:													
Variable NPE	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.1%
Travel NPE	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%
Occupancy NPE	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Total NPE	0.0%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	0.0%	0.0%	1.0%
Fixed NPE	0.0%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	0.0%	0.0%	0.9%
	0.0%	1.1%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	0.0%	0.0%	2.3%
Divisional Mgmt/Admin Drivers ²													
Finance Exec Driver	0.0%	2.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.9%
BDS Exec Driver	0.0%	0.0%	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.2%
CAD Exec Driver	0.0%	0.0%	0.0%	1.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.6%
	0.0%	2.9%	1.2%	1.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.6%
Exec Driver	30.5%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	30.7%
Total Revenue Driver	0.0%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%
Total Comp Driver	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%
Overhead Driver	0.4%	3.1%	2.2%	0.3%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	6.8%
Net Balance Sheet + Goodwill	0.0%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.0%
Weighted Rent Square Foot ³	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	0.0%	0.7%	0.0%	0.0%	0.0%	5.7%
Regulatory Capital	0.0%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%
Client Revenue	1.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.9%
India Core Team ³	0.3%	0.1%	0.1%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.7%
Survey	2.0%	2.9%	3.3%	8.0%	0.7%	2.5%	0.0%	0.0%	0.0%	1.4%	0.8%	0.4%	22.1%
	36.3%	14.3%	16.5%	10.0%	7.5%	2.6%	5.0%	0.4%	2.2%	2.5%	1.6%	1.1%	100.0%

¹ Weighted for Corporate Division Share to Front Office, based on Usage
² Divisional Management/Admin Drivers based on total direct allocations to the Front Office for each division (by region)
³ India Core Team driver based on projected year end Usage of all India BPO functions

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Key Allocation Drivers (II)

◆ Excluding Ops & ITD¹, Corporate used 22 different drivers to allocate shared Costs in 2006:

	Exec & Admin	Finance	BDS	CAD	HR	Risk Mgmt	CRE	Recruit'g	Security	PPI	Strategy	CMB
Headcount Drivers:												
Weighted Headcount ¹	3.2%	0.1%	17.6%	1.0%	87.0%	0.0%	0.0%	91.7%	67.6%	0.0%	50.1%	14.9%
NY buildings Ex NB Headcount	0.0%	0.0%	39.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NB building Headcount	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Expat Population	0.0%	0.0%	0.0%	0.0%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	3.2%	0.1%	57.1%	1.0%	87.9%	0.0%	0.0%	91.7%	67.6%	0.0%	50.1%	14.9%
NPE Drivers:												
Variable NPE	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.2%	0.0%	0.0%
Travel NPE	0.0%	0.0%	1.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Occupancy NPE	0.0%	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total NPE	0.0%	3.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	16.9%	0.0%	0.0%
Fixed NPE	0.0%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	19.2%	0.0%	0.0%
	0.0%	7.7%	1.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	40.3%	0.0%	0.0%
Divisional Mgmt/Admin Drivers²												
Finance Exec Driver	0.0%	20.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
BDS Exec Driver	0.0%	0.0%	7.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CAD Exec Driver	0.0%	0.0%	0.0%	15.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	0.0%	20.1%	7.2%	15.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Exec Driver	83.9%	1.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Revenue Driver	0.0%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Comp Driver	0.0%	1.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Overhead Driver	1.2%	21.5%	13.6%	3.4%	0.0%	4.6%	0.0%	0.0%	0.0%	1.9%	0.0%	47.5%
Net Balance Sheet + Goodwill	0.0%	21.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Weighted Rent Square Foot ³	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	99.7%	0.0%	32.2%	0.0%	0.0%	0.0%
Regulatory Capital	0.0%	1.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Client Revenue	5.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
India Core Team ³	0.8%	0.7%	0.7%	0.0%	2.2%	0.0%	0.3%	0.0%	0.2%	0.0%	0.0%	0.0%
Survey	5.6%	20.6%	19.8%	80.1%	9.9%	95.4%	0.0%	8.3%	0.0%	57.8%	49.9%	37.6%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

¹. Weighted for Corporate Division Share to Front Office, based on Usage
². Divisional Management/Admin Drivers based on total direct allocations to the Front Office for each division (by region)
³. India Core Team driver based on projected year end Usage of all India BPO functions

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Key Allocation Drivers (III)

Major Allocation Drivers

Surveys (37% of total cost)	<ul style="list-style-type: none"> ◆ Support function provides % of time spent by BPM level 1 Product ◆ Used to allocate dedicated areas like Legal and Product Control ◆ Surveys can be changed on a quarterly basis and are recommended for review on at least an annual basis
Overhead Driver (3% of total cost)	<ul style="list-style-type: none"> ◆ Calculated on the basis of 50% Revenue, 50% Expense ◆ Used to allocate general corporate infrastructure (Franchise Costs)
Exec Driver (15% of total cost)	<ul style="list-style-type: none"> ◆ 50% Even Share by Front Office Division with Exec Committee representation ◆ 50% Overhead Driver ◆ Used to allocate Firm's Exec Committee
Other Driver Examples	<ul style="list-style-type: none"> ◆ Headcount (HR) (10% of total cost) ◆ Square Foot (Building Facilities) (3% of total cost) ◆ NPE (Expense Management) (1% of total cost) ◆ Net Balance Sheet Usage + Goodwill (Treasury) (2% of total cost)

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Corporate Allocations – 2006 Allocations by Division

\$ in millions								
	Key Driver	Total	FID	Equities	IBD	IMD	MCD	Other
DEDICATED								
ITD	BEN Projects (Survey)	515	25%	28%	1%	9%	2%	34%
Operations	Survey	233	49%	38%	1%	12%	0%	0%
Finance	Survey	118	51%	25%	5%	13%	1%	6%
CAD	Survey	85	44%	26%	12%	18%	0%	1%
Risk Management	Survey	37	63%	30%	2%	4%	0%	0%
Recruiting	In-Division Headcount	32	25%	22%	52%	1%	0%	0%
HR	In-Division Headcount	18	14%	21%	25%	21%	0%	19%
BDS	Survey	14	11%	5%	65%	6%	0%	13%
Exec & Admin	Survey	2	4%	10%	82%	4%	0%	0%
Dedicated Allocations		1,052	36%	29%	5%	11%	1%	18%
SHARED								
ITD	1	825	24%	23%	6%	10%	3%	34%
Exec & Admin	Exec Driver	440	32%	22%	19%	16%	10%	1%
Finance	1	250	46%	25%	11%	11%	3%	3%
BDS	1	218	33%	21%	21%	16%	3%	6%
Operations	1	166	43%	40%	0%	16%	0%	1%
CAD	Survey	138	30%	26%	12%	17%	2%	12%
HR	Headcount	104	32%	20%	14%	18%	13%	3%
Risk Management	1	59	59%	25%	6%	9%	1%	0%
Corp. Real Estate	Rent Sqr. Ft.	54	36%	29%	14%	15%	5%	0%
Security	Headcount	28	32%	22%	16%	17%	12%	0%
PPI	Surveys	31	35%	19%	5%	14%	6%	21%
Strategy	Survey	20	24%	16%	13%	25%	13%	8%
Recruiting	Headcount	16	31%	26%	35%	5%	3%	0%
CMB	Overhead	14	32%	21%	21%	14%	6%	7%
Shared Allocations		2,362	32%	24%	12%	13%	5%	14%
Less: Inter-Corporate Divisional ²		(483)						
Total Corporate		2,931	39%	30%	11%	15%	4%	1%

1. Covered in Separate Session
2. Includes Cross Corporate Divisional (\$347mm) and Intra-Corporate Divisional (\$135mm)

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How to Think About Allocations

- ◆ When discussing allocations and ways to improve them, three concepts are helpful to keep in mind: perfect efficiency, Pareto efficiency and operational efficiency
- ◆ Cost allocations are said to be perfectly efficient if they are determined in a way which equates their marginal costs – i.e., reducing the allocation for a given business / division will translate into a 1:1 cost reduction for the Firm
 - Most cost allocations are NOT perfectly efficient or even approaching perfect efficiency, because the services allocated do not have measurable cost drivers
 - Exceptions would be operations costs driven by and allocated based on trade fails for example.
- ◆ Cost allocations are said to be Pareto efficient when there is no alternative allocation mechanism in which all businesses and the Firm are better off
 - Cost allocations are usually Pareto efficient. Typically, there are entire continuums of Pareto efficient allocations for a given cost center.
 - **As a result, great care must be used when evaluating the fully-loaded profitability of a business or a division**
- ◆ Operational efficiency refers to the efforts used in gathering the information required to allocate the costs. While IT and automation can increase the operational efficiency, information gathering is not free.
 - There is a trade off between having perfect allocation information and the timeliness and cost constraints associated with generating cost allocations.

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Future of Allocations

- ◆ There are three streams of ongoing work regarding allocations
 - Push allocations to the business level (Level 2 BPM)
 - Better understand the economics of all businesses
 - With all the caveats regarding “imperfect” cost allocations
 - Require some clean up of Level 2 BPM P&Ls, which is under way
 - Should see the results by 2007 Q3
 - Improve “perfection” of cost allocations when possible
 - Expand the use of unit costing at pre-determined “prices”
 - Expand the use of surveys to better understand how time is being spent
 - Revisit the classification of allocations between dedicated and shared to better reflect the influence that the divisions have over the Firm-wide costs
 - Improve operational efficiency
 - For “essential services” that are not directly related to the divisions or regions (e.g., External Reporting), consider simplifying the allocation methodology

Exec & Admin Allocations

\$ in millions

Description	FY 2006	Methodology	FID	EQU	IBD	IMD	MCD	Other	Prime Services
Exec & Admin	371.7	Exec Driver ¹	112.8	81.9	72.6	61.1	39.1	4.3	20.7
Senior Relationship Management	22.4	Client Revenue	10.7	6.4	5.0	0.3	0.0	0.0	2.2
Training	13.5	Headcount	3.7	2.2	1.7	3.3	2.5	0.1	0.7
Aviation	13.0	Exec Driver	3.9	2.7	2.3	2.4	1.5	0.1	0.7
Philanthropy & Other	5.7	Overhead Driver ²	2.3	1.2	0.9	1.0	0.3	0.1	0.4
Total Direct	426.4		133.4	94.4	82.5	68.0	43.5	4.6	24.7
Indirect	14.9		5.0	4.1	2.9	1.8	1.0	0.1	0.9
Total Exec & Admin	441.3		138.4	98.4	85.5	69.7	44.5	4.7	25.7

- ◆ Exec & Admin includes Firm Exec, Regional Exec and Exec Committee bonus pool
- ◆ Training includes Leadership program and Diversity training ³
- ◆ Indirect includes \$7mm ITD Infrastructure, \$3mm BDS, and \$1mm Legal Fees/Settlements, \$4mm Other Corporate

¹. Exec & Admin partly allocated by Survey in Europe for Continental Offices
². Philanthropy Asia allocated based on headcount in 2006
³. NPE cost of program only – moving to HR Q2 '07

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HR Allocations

\$ in millions

Description	FY 2006	Methodology	FID	EQU	IBD	IMD	MCD	Other	Prime Services
Dedicated Divisional HR	18.1	H/C in Supported Division	2.5	3.8	4.5	3.9	0.0	3.4	0.5
Generalist HR Europe	13.9	Headcount	5.5	4.5	2.7	1.1	0.1	0.0	1.2
Training	10.9	Headcount	3.3	2.2	1.5	2.2	1.6	0.1	0.6
Diversity	10.3	Headcount	3.1	2.0	1.4	2.2	1.6	0.1	0.5
HR Admin	9.9	Headcount	2.7	1.6	1.2	2.4	1.9	0.1	0.5
Generalist HR Asia	6.9	Headcount	1.8	2.0	0.9	0.0	0.0	2.2	0.1
Compensation	5.1	Headcount	1.4	0.8	0.6	1.2	1.0	0.0	0.3
Staffing	4.9	Headcount	1.4	0.8	0.6	1.2	0.9	0.0	0.2
Corporate Generalist	4.7	Headcount	1.3	0.8	0.6	1.1	0.9	0.0	0.2
Analysts/Temps	3.8	Headcount	1.3	1.0	0.6	0.5	0.3	0.0	0.3
Medical	3.6	Headcount	1.0	0.6	0.5	0.8	0.7	0.0	0.2
Branch HR	3.2	Headcount	0.9	0.9	0.9	0.1	0.0	0.5	0.0
HR Subs	2.2	Headcount	0.6	0.4	0.3	0.5	0.4	0.0	0.1
Benefits	2.1	Headcount	0.6	0.3	0.3	0.5	0.4	0.0	0.1
Generalist HR India	1.9	Headcount	0.8	0.7	0.1	0.3	0.1	0.0	0.3
Global Business Services	1.6	Headcount	0.4	0.3	0.2	0.4	0.3	0.0	0.1
Back Up Child Care	1.5	Headcount	0.4	0.2	0.2	0.4	0.3	0.0	0.1
International Comp & Relocation	0.8	Expat Headcount	1.7	(.8)	0.0	0.0	0.0	0.0	0.0
Other	0.9	Headcount	0.3	0.1	0.1	0.2	0.2	0.0	0.0
Total Direct	106.5		31.0	22.2	17.2	19.0	10.6	6.5	5.3
Indirect	15.2		4.7	2.8	2.0	3.2	2.4	0.1	0.8
Total HR Allocations	121.7		38.2	28.8	23.7	26.1	13.0	10.0	6.7

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Corporate Real Estate & Security Allocations

Corporate Real Estate:

\$ in millions

Description	FY 2006 Methodology	FID	EQU	IBD	IMD	MCD	Other	Prime Services
Real Estate Mgmt / Facilities	20.8 Rent Squ. Foot	6.8	5.6	3.1	3.7	1.5	0.1	1.7
Occupancy Related	19.8 Rent Squ. Foot	8.8	6.8	2.3	1.8	0.1	0.0	2.7
Total Direct	40.6	15.6	12.3	5.4	5.5	1.7	0.1	4.4
Indirect	13.8	4.2	3.4	2.1	2.7	1.2	0.0	1.1
Total Real Estate	54.4	19.8	15.7	7.5	8.2	2.9	0.1	5.5

- ◆ Occupancy Related allocation relates to unoccupied space, not allocated as part of NPE, plus any under or over residual from the NPE budgeted rate

Security:

Description	FY 2006 Methodology	FID	EQU	IBD	IMD	MCD	Other	Prime Services
Security	28.0 Headcount	9.0	6.1	4.5	4.9	3.4	0.1	1.7

- ◆ Security was previously part of Exec & Admin

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PPI & Strategy Allocations

PPI:

\$ in millions

Description	FY 2006 Methodology	FID	EQU	IBD	IMD	MCD	Other	Prime Services
Productivity & Process Improvement	16.4 Survey	7.2	2.9	0.3	0.9	0.6	4.5	2.0
Global Sourcing	6.3 NPE Driver	1.4	1.1	0.9	1.6	0.8	0.5	0.3
Expense Management	8.3 NPE Driver	2.3	1.9	0.4	1.7	0.5	1.4	0.7
	31.1	10.9	5.9	1.7	4.3	1.9	6.5	3.0

- ◆ PPI was previously part of Exec & Admin
- ◆ Global Sourcing & Expense Management were previously part of Finance

Strategy:

Description	FY 2006 Methodology	FID	EQU	IBD	IMD	MCD	Other	Prime Services
Strategic Planning & Analysis Americas	9.4 Headcount	2.6	1.6	1.2	2.3	1.8	0.1	0.5
Strategic Planning & Analysis Europe	6.3 Survey	1.3	0.8	0.9	2.5	0.6	0.0	0.4
Strategic Planning & Analysis Asia	3.1 Survey	0.6	0.6	0.3	0.0	0.0	1.6	0.1
	18.8	4.6	3.0	2.4	4.8	2.4	1.6	0.9

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CMB & Recruiting Allocations

Communication, Media & Branding:

\$ in millions

Description	FY 2006 Methodology	FID	EQU	IBD	IMD	MCD	Other	Prime Services
Corporate Communications	11.8 Overhead ¹	3.6	2.5	2.6	1.5	0.6	1.0	0.5
Branding & Advertising	1.5 Overhead	0.6	0.2	0.2	0.3	0.1	0.0	0.1
Indirect	0.8	0.2	0.2	0.2	0.1	0.1	0.0	0.0
	14.0	4.4	2.9	3.0	1.9	0.8	1.0	0.6

◆ Marketing Solutions not included above – moving from BDS in Q2 '07

Recruiting:

Description	FY 2006 Methodology	FID	EQU	IBD	IMD	MCD	Other	Prime Services
Dedicated Recruiting	30.3 H/C in Supported Division	7.2	6.6	16.2	0.3	0.0	0.0	1.1
Shared Recruiting	11.7 Headcount	5.4	3.9	0.8	0.7	0.5	0.0	0.5
Indirect	6.1	0.4	0.9	5.2	0.1	0.0	0.0	0.2
	48.1	13.0	11.4	22.2	1.1	0.5	0.0	1.8

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Non-Core Allocations

\$ in millions									
Description	FY 2006	Methodology	FID	EQU	IBD	IMD	MCD	Other	Prime Services
Compensation:									
US Pension Plan	70.3	US Pension Driver	19.8	9.7	8.9	17.3	14.3	0.4	3.2
European Payroll Tax	21.3	Europe H/C	8.0	7.0	4.7	1.5	0.0	0.1	1.7
Partnership Account	18.2	# PA Units	5.6	5.6	4.1	2.7	0.1	0.1	0.9
	109.8		33.5	22.3	17.6	21.6	14.4	0.5	5.8
NPE:									
Audit Fees	12.0	Overhead Driver	4.9	2.0	2.3	2.5	0.0	0.2	0.0
Insurance - Terrorism	9.6	Revenue Driver	4.4	1.9	1.3	1.5	0.4	0.2	0.8
Insurance - Directors & Officers	9.4	Exec Driver	2.8	1.9	1.7	1.7	1.1	0.1	0.5
VAT	6.5	Survey	2.2	1.6	1.4	0.4	0.0	1.0	0.0
Insurance - Other	6.4	Overhead Driver	2.6	1.0	1.2	1.4	0.0	0.1	0.0
Brokerage, Clearance & Exchange	4.3	Overhead Driver	1.8	0.6	0.7	1.1	0.0	0.1	0.0
Other NPE	6.9	Overhead Driver	3.0	1.2	1.0	1.4	0.1	0.1	0.1
	55.1		21.8	10.2	9.5	10.1	1.6	1.9	1.4
Interest on Other Assets:									
Pension Asset	34.4	Pension Driver	9.7	4.7	4.3	8.5	7.0	0.2	1.6
Other	39.2	Overhead Driver	16.4	7.1	7.2	7.8	0.1	0.7	0.0
	73.6		26.0	11.8	11.5	16.2	7.1	0.9	1.6
Total Non-Core	238.5		81.3	44.3	38.7	47.9	23.0	3.3	8.8

- ◆ US Pension Plan is the Firm's Defined Benefit Pension Plan. The driver is based in part on Service Cost by division (related to Present Value of plan payments on retirement of current employees), part based on the Exec Driver (Exec Retirement Plan component), and part based on the Overhead Driver (legacy population related)
- ◆ Other Assets are assets not attributable to any particular business and are therefore considered part of "corporate" activity, including Deferred Tax Assets, Prepaids, and Goodwill (excluding Neuberger)
- ◆ Overhead Driver used by Non-Core is generally excludes MCD platforms

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2007 S&C Summit – Day 2 Agenda FID

Time	Topic	
9:00am – 10:00am	Operations	Stewart Nineham / Mark O'Sullivan / Neil Banbury / Tony Collier
10:00am – 11:00am	ITD	Julie Castle / Jay Zoufaly
11:00am – 12:00pm	Finance	Joe Gentile / Sigrid Stabenow / Joe Beukers

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2007 S&C Summit – Day 2 Agenda Equities

Time	Topic	
9:00am – 10:00am	ITD	Julie Castle / Jay Zoufaly
10:00am – 11:00am	Finance	Jon Neave / Catherine Wang
11:00am – 12:00pm	Operations	Richard Austin / Mark O'Sullivan / Neil Banbury / Tony Collier

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2007 S&C Summit – Day 2 Agenda Prime Services

Time	Topic	
9.00am – 10.00am	Finance	Len Scicutella / Ken Lobo / Joe Beukers
10.00am – 11.00am	Operations	Richard Austin / Mark O’Sullivan / Neil Banbury / Tony Collier
11.00am – 12.00pm	ITD	Julie Castle / Jay Zoufaly

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2007 S&C Summit – Day 2 Agenda IBD

Time	Topic	
2.00pm – 3.00pm	ITD	Julie Castle / Jay Zoufaly
3.00pm – 4.00pm	Finance	Gary Fox / Mona Adler / Joe Beukers

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